

TO: Distribution

FROM: Bruce Neidle

SUBJECT: MIP Personal Observations Program

DATE: March 22, 1999

On March 12, 1999 I visited 17 stores in the Rochester NY market.

General Observations

Execution of the Marlboro buydown appeared strong with 13/17 stores running the deal and all but one providing clear POS communication (exception K-Mart). RJR appeared highly responsive as 9/13 stores running Marlboro 55¢ also had Winston/Camel 55¢ (versus only 1 of 4 remaining stores without Marlboro 55¢). Lorillard dominated the lowest price point in the market with 8 of 17 stores featuring 65¢ stickers on Maverick or Old Gold. No clear pattern of discount brand competitive response to Lorillard was evident.

Price

- In stores running the Marlboro 55¢ offer, Marlboro's price appeared highly competitive with lowest discount (average \$ gap = 31¢ versus 97¢ in the balance of stores). In 6 stores Marlboro was within 15¢ of Lowest (including 2 stores where Marlboro was the lowest).

Promotion

- RJR appeared to have deployed one promotional plan for both Winston and Camel. All 10 stores with an RJR 55¢ premium deal offered it on both brands.
- After Old Gold/Maverick, GPC was the most active discount brand with 65¢ reductions (6/17 stores), followed by Doral/Monarch (5/17 stores). There was no clear pattern as to where B&W or RJR placed their 65¢ deals relative to Lorillard.
- Virginia Slims buydowns were visible in 10 of 17 stores (at least one piece of price call-out POS). Retailers did not notice any change in Slims sales in these stores.

Product

- While most stores stocked Marlboro Ultra Lights Menthol during its second designated week at retail (14/17 stores) only half of these stores had any POS support. The TSM indicated that there were currently shortages of the necessary POS.
- Basic Ultra Lights Menthol was found in 8 of 17 stores with only 2 stores featuring supporting POS.

Presence

- In contracted stores Marlboro appeared to have in-store visibility at least equal to fair share with the exception of supermarkets visited. Conversely, Marlboro visibility in non contracted stores was generally limited to a couple of temporary "Party at the Ranch" POS items.

Other Observations

- One supermarket chain (Wegmans) included the duration of the Marlboro 55¢ promotion on their store made POS (2/28 to 4/3). *Suggestion - include a place to write-in the field date on the brand produced POS to help clarify duration at retail.*
- In one store Old Gold was only stickered at 40¢ off. The retailer reported that they had the promotion a couple of weeks and never had the 65¢ stickered product. Not clear why this store was unique or whether it is a leading indicator.
- A Liggett Private Label brand, Meridian, was the lowest priced and leading brand in one c-store chain. The store personnel were enthusiastic about the brand citing a Liggett sponsored sales incentive program which rewards the store personnel directly (one store clerk indicated that she earned \$94 last quarter based on her Meridian sales).
- Several store managers asked/complained to the TSM about late payment issues.

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